EIGHTY-SIXTH GENERAL ASSEMBLY
2016 REGULAR SESSION
DAILY
HOUSE CLIP SHEET

FEBRUARY 16, 2016

HOUSE FILE 2011

H-8007

Amend House File 2011 as follows:

1. Page 1, by striking lines 1 through 22 and inserting:

<Section 1. Section 709.15, subsection 1, paragraph f, Code 2016, is amended by striking the paragraph and inserting in lieu thereof the following:

f. (1) "School employee" means any of the following, except as provided in subparagraph (2):

(a) A person who holds a license, certificate, authorization, or statement of professional recognition issued under chapter 272.

(b) A person employed by a school district full-time, part-time, or as a substitute.

(c) A person who performs services as a volunteer for a school district and who has significant contact with students.

(d) A person who is a contract employee of a school district and who has significant contact with students.

(2) "School employee" does not include the following:

(a) A student enrolled in a school district.

(b) A person who holds a coaching authorization issued under section 272.31, subsection 1, if the person is less than four years older than the student with whom the person engages in conduct prohibited under subsection 3, paragraph "a", and the person is not in a position of direct authority over the student.

(c) A person who performs services as a volunteer for a school district and who has significant contact with students enrolled in the school district, if the person is less than four years older than the student with whom the person engages in conduct prohibited under subsection 3, paragraph "a", and the person is not in a position of direct authority over the student.

Sec. ___. Section 709.15, subsection 3, Code 2016,

is amended by adding the following new paragraph:

NEW PARAGRAPH. c. The provisions of this subsection do not apply to a person who is employed by, volunteers for, or is under contract with a school district if the student is not enrolled in the same school district that employs the person or for which the person volunteers or is under contract, and the person does not meet the requirements of subsection 1, paragraph "f", subparagraph (1), subparagraph division (a).>

COMMITTEE ON JUDICIARY
BALTIMORE of Boone, Chairperson

H-8007 FILED FEBRUARY 15, 2016

HOUSE FILE 2077

H-8006

Amend House File 2077 as follows:

1. Page 1, line 20, after <employment> by inserting <pursuant to section 808.4A>

2. Page 1, line 22, after <parent's> by inserting <minor>

3. Page 1, by striking lines 23 through 25.

4. By renumbering, redesignating, and correcting internal references as necessary.

COMMITTEE ON JUDICIARY

BALTIMORE of Boone, Chairperson

H-8006 FILED FEBRUARY 15, 2016

LSA LEGISLATIVE SERVICES AGENCY
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Fiscal Note

Fiscal Services Division

HF 2175 – Biofuel Tax Incentives (LSB5598HV)
Analyst: Jeff Robinson (Phone: (515) 281-4614) (jeff.robinson@legis.iowa.gov)
Fiscal Note Version – Revised (typographical corrections only)

Description

HF 2175 relates to biofuel (ethanol and biodiesel) tax incentives.

- Extends the production payment currently available for biodiesel manufacturers located in Iowa. The payment is equal to $0.02 per gallon produced, up to a total of 25.0 million annual gallons for each manufacturing facility. The payment, set to expire January 1, 2018, is extended seven years to January 1, 2025.
- Extends the E-15 Plus Gasoline Promotion Tax Credit expiration date seven years from the current January 1, 2018, date to January 1, 2025.
- Extends the E-85 Gasoline Promotion Tax Credit expiration date seven years from the current January 1, 2018, date to January 1, 2025.
- Extends the Biodiesel Blended Fuel Tax Credit expiration date seven years from the current January 1, 2018, date to January 1, 2025.
- Increases the Biodiesel Blended Fuel Tax Credit for biodiesel blends of B-11 or greater (currently $0.045 per blended gallon) to $0.07 per blended gallon. This change is retroactive to January 1, 2016. Biodiesel blends of B-5 through B-10 will continue to receive a tax credit equal to $0.045 per blended gallon.

Background

The E-15, E-85, and Biodiesel Blended Fuel Tax credits are funded through the individual and corporate income tax process. The tax credits are refundable. As refundable credits they do not impact the calculation of the local option income surtax for schools. The biodiesel production payment is funded through a sales tax refund process that is also refundable.

Iowa taxes diesel fuel that contains 10.0% biodiesel (B-10) or less at $0.325 per gallon. Iowa taxes diesel fuel with biodiesel content greater than 10.0% at a rate $0.03 per gallon lower, or $0.295 per gallon.

Iowa taxes gasoline that does not contain at least 9.0% ethanol (E-9) at $0.308 per gallon. Iowa taxes gasoline that does contain ethanol at a rate $0.015 per gallon lower, or $0.293 per gallon.

Revenue raised by the state tax on gasoline and diesel fuel is deposited in the Road Use Tax Fund.

Assumptions

All gasoline and diesel fuel gallon projections were provided by the Department of Revenue and are based on:

- Historical tax credit usage and redemption patterns
- The 2014 Iowa Retailers' Fuel Gallons Annual Report
- Fuel demand forecasts from the U.S. Energy Information Administration

For the projection, extension of the two ethanol tax credits is not assumed to impact the percentage of gallons sold in Iowa that are blended with ethanol. Therefore, the ethanol tax credit extensions are not projected to have an impact on the Road Use Tax Fund.

Increasing the tax credit available for biodiesel blends in excess of B-10 is projected to increase the number of diesel gallons sold at the lower tax rate and decrease the number of gallons sold at the higher rate. The Department of Revenue projects that the higher tax credit incentives available for diesel blends in excess of B-10 will result in 113.0 million diesel gallons shifting from B-10 or lower gallons to gallons that are blends higher than B-10. Of those 113.0 million annual gallons, 87.0 million (77.0%) are expected to be gallons subject to the state diesel fuel tax. At a tax rate differential of $0.03 per gallon, the shift to blends higher than B-10 will decrease Road Use Tax Fund fuel tax revenue by $2.6 million per calendar year through the end of calendar year 2024.

Fiscal Impact

This Bill has four separate General Fund fiscal impacts. All four impacts are projected to reduce net General Fund revenue through the redemption of refundable tax credits.

- Extension of the biodiesel production payment
- Extension of the E-15 Plus Gasoline Tax Credit
- Extension of the E-85 Gasoline Promotion Tax Credit
- Extension and increase of the Biodiesel Blended Fuel Tax Credit

The projected reduction in net General Fund revenue for each provision, as well as the summed total, is presented in the following table.

Projected Reduction in General Fund Revenue

In millions

	Biodiesel Production Payment	E-15	E-85	Biodiesel Blended Fuel Tax Credit	Total Impact
FY 2016	$ 0.0	$ 0.0	$ 0.0	$ 1.0	$ 1.0
FY 2017	0.0	0.0	0.0	5.3	5.3
FY 2018	0.9	0.1	0.7	9.0	10.7
FY 2019	4.0	0.5	3.0	23.5	31.0
FY 2020	4.1	0.6	3.4	24.2	32.3
FY 2021	4.1	0.7	3.6	24.4	32.8
FY 2022	4.2	0.7	3.9	24.5	33.3
FY 2023	4.2	0.8	4.2	24.7	33.9
FY 2024	4.3	0.9	4.5	24.9	34.6
FY 2025	3.2	0.8	3.7	20.3	28.0
FY 2026	0.0	0.1	0.3	0.4	0.8
	$ 29.0	$ 5.2	$ 27.3	$ 182.2	$ 243.7

The Bill also impacts the Road Use Tax Fund. The increased incentive available for biodiesel blended fuel in excess of B-10 is projected to reduce diesel fuel sales subject to the $0.325 per gallon tax rate and increase sales subject to the $0.295 tax rate. This projected shift will result in lower revenue from the tax on diesel fuel. The projected impact is a projected reduction in Road Use Tax Fund revenue of $2.6 million per calendar year. By fiscal year, the projected reduction equals:

- FY 2016 — $650,000

- FY 2017 through FY 2024 — $2.6 million per year
- FY 2025 — $1.3 million

Sources

Iowa Department of Revenue
2014 Iowa Retailers' Fuel Gallons Annual Report
U.S. Energy Information Administration

/s/ Holly M. Lyons

February 10, 2016

The fiscal note for this bill was prepared pursuant to **Joint Rule 17** and the Iowa Code. Data used in developing this fiscal note is available from the Fiscal Services Division of the Legislative Services Agency upon request.

Fiscal Note

Fiscal Services Division

HF 2092 – Internal Revenue Code (IRC) Coupling (LSB5654HV)
Analyst: Jeff Robinson (Phone: (515) 281-4614) (jeff.robinson@legis.iowa.gov)
Fiscal Note Version – As passed by the House

Description

House File 2092 generally conforms Iowa's tax laws with changes to the federal Internal Revenue Code (IRC) made since January 1, 2015. The coupling is temporary and applies only to tax year 2015. The Bill does not couple with the federal tax provision known as "bonus depreciation."

The Bill is effective on enactment and applies retroactively to January 1, 2015.

Background

Since January 1, 2015, the only significant federal tax changes were enacted as part of H.R. 2029 (Consolidated Appropriations Act, 2016). This Act became law December 18, 2015. While many of the provisions were made a permanent part of the federal IRC, some tax provisions were extended through 2016 and others through tax year 2019. The extended provisions will require future federal action if they are to continue beyond the new expiration date.

Of the newly permanent provisions, the most significant from a fiscal impact perspective is the extension and enhancement of favorable depreciation accounting known as "Section 179 expensing." This provision allows business taxpayers (including corporate taxpayers and business entities taxed through the individual income tax) to write off additional depreciation in the year a qualified depreciable asset is placed in service. Since the provision accelerates the claiming of depreciation, the provision reduces taxes owed in the first year, but increases taxes owed in later years.

The one federal change that HF 2092 does not conform with is known as "bonus depreciation." Bonus depreciation provides a similar benefit for more expensive depreciable assets. Iowa has not coupled with federal bonus depreciation provisions in the past.

The estimated fiscal impact was not included in the December 10, 2015, Revenue Estimating Conference (REC) since the federal legislation was not enacted until after the REC meeting.

Assumptions

The conformity impact estimates were calculated by the Iowa Department of Revenue using national estimates available from the Joint Committee on Taxation.

Fiscal Impact

Federal H.R. 2029 also impacts Iowa income tax revenue by reducing the Iowa income tax deduction for federal income taxes paid (both individual and corporate). The deductibility impact provides an automatic positive adjustment to State General Fund revenue. The positive adjustment is provided in the upper line of the following table. The deductibility impact estimates are provided here for reference. They are not a fiscal impact of this Bill.

HF 2092 makes changes to Iowa's tax laws for one tax year and is projected to reduce net General Fund revenue in FY 2016 and increase revenue in future fiscal years. The impact projections are provided in the lower line of the following table.

Deductibility and Conformity Revenue Impact Estimates
State General Fund
In Millions

	Status	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
Deductibility Impact of Federal Changes to the Internal Revenue Code	Automatic	$ 2.0	$ 76.4	$ 42.4	$ 28.6	$ 31.6	$ 27.9
Conformity Impact of HF 2092	Requires State Legislation	$ -97.6	$ 10.1	$ 16.2	$ 11.7	$ 9.5	$ 8.2

Sources

Iowa Department of Revenue
United States Congress Joint Committee on Taxation

/s/ Holly M. Lyons

February 9, 2016

The fiscal note for this bill was prepared pursuant to **Joint Rule 17** and the Iowa Code. Data used in developing this fiscal note is available from the Fiscal Services Division of the Legislative Services Agency upon request.